A TIMELINE OF PROPERTY TAX REFORMS IN INDIANA

BOWEN REFORMS

General Assembly creates Property Tax Replacement Credits funded by a 2 cent increase in the sales tax to reduce property taxes by 20 percent. Property Tax Control Boards are created to allow expert review of construction projects as part of the State's on-going effort to ensure fiscal responsibility.

LAWSUIT

The Town of St. John, a community in Lake County, files suit against the State Board of Tax Commissioners arguing the state's method of property tax assessment is unconstitutional because similar properties have different assessed values.

COURT-ORDERED REASSESSMENT

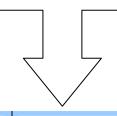
Indiana Supreme Court issues ruling in the St. John case ordering a new method of assessment based upon "objective reality." Gov. Frank O'Bannon decides to use fair market value for assessment purposes. The Indiana Tax Court orders the new assessment regulations based on fair market value to be implemented by June 2001.

SENATE PROPOSES MORE REFORM

SEA 1 limits growth in property tax levies by preventing local government from spending unused taxes and requiring them to "bank" those funds and use them to prevent future tax increases. The bill also allows taxpayers to pay taxes in installments, provides assessors with authority to waive penalties for late payments, simplifies the assessment appeals process and strengthens the remonstrance/petition process by allowing registered voters rather than only property owners to sign and reduces the number of signatures necessary to remonstrate.

"CIRCUIT BREAKER" PROVISION PASSES

General Assembly passes HEA 1001 which includes a "circuit breaker" provision capping property taxes at 2 percent of a home's assessed value and 3 percent for businesses for taxes beginning in 2008 and gives counties an extension to implement an Economic Development Income Tax to offset the elimination of inventory taxes. Also enacted is SEA 260 extending the filing deadline for various homeowner deductions and credits and requiring more consumer-friendly information regarding the Homestead Credit. Homeowner Deduction, Mortgage Deduction and deductions for the blind, disabled, and veterans be made available to homebuyers at the time of purchase. Sen. Kenley (R-Noblesville) reintroduces his plan to allow counties to adopt Local Option Income Taxes to reduce reliance on property taxes. His legislation passes the Senate, but fails passage in the House of Representatives and does not become law.



1979

1993 1994

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2002

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2005

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2007

LEGISLATIVE ACTION

General Assembly ties the growth in property tax levies to the amount of growth in assessed value and controls the growth in school general fund levies through the state school funding formula.

SENATE REQUESTS DETAILED **ANALYSIS OF PROPERTY TAXES**

Then Senate Finance Committee Chairman Larry Borst (R-Greenwood) requests a detailed analysis and recommendations for reform of Indiana's property tax system from the Indiana Fiscal Policy Institute. The report, which is completed in 1996, recommends increases in sales, income and cigarette taxes to reduce reliance on property taxes.

SPECIAL SESSION

HEA 1001 increases sales tax by 1 percent to provide property tax relief. The act also increases the standard homestead deduction from \$6,000 to \$35,000, ties increases in property tax levies to growth in non-farm personal income and authorizes counties to implement Economic Development Income Taxes to offset loss of revenue from elimination of the inventory tax.

SENATE PASSES SIGNIFICANT REFORMS

Senate passes legislation introduced by Sen. Luke Kenley (R-Noblesville) allowing counties to adopt Local Option Income Taxes to offset increases in property taxes and provide significant and fair tax relief. The bill fails to pass the House of Representatives and does not become law.

RELIEF AND REFORM

HEA 1001 provides \$550 million in direct relief for 2007 and 2008 property taxes in addition to a record \$2.1 billion in property tax replacement funds to local governments and schools. HEA 1478, Sen. Kenley's plan to allow counties to adopt Local Option Income Taxes to reduce reliance on property taxes, is finally signed into law. LOITs can be used to prevent annual growth in property taxes, reduce property taxes or fund public safety. The "circuit breaker" provision is permanently extended and amended to exclude school levies. County Boards of Tax and Capital Projects Review are created to review all school and other government construction projects in excess of \$7 million to avoid multiple costly projects.